

Message Text

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44

ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-02

INR-07 L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15

USIA-06 AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02

OPIC-03 CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 /107 W

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R 131124Z JUL 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5197

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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EO 11652: NA

TAGS: EFIN ETRD EG

SUBJECT: PEOPLES ASSEMBLY PASSES FOREIGN EXCHANGE TRANSACTION LAW

REF: (A) CAIRO 7606, (B) CAIRO 8792

1. LOCAL PRESS REPORTS PASSAGE JULY 12 BY PEOPLES
ASSEMBLY OF LAW REORGANIZING FOREIGN CURRENCY
TRANSACTIONS (REFTELS). LAW REPORTEDLY PERMITS
EXPORTERS AND OTHER ADMINISTRATIVE ENTITIES,
INCLUDING PUBLIC SECTOR COMPANIES AND CORPORATIONS,
TO RETAIN FOREIGN EXCHANGE PROFITS STEMMING FROM
INVISIBLE EARNINGS. LAW SPECIFIES THAT FOREIGN CURRENCY
REVENUES FROM EXPORT OF GOODS IN MOST CASES WILL REVERT TO GOE.

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NEW LEGISLATION IS DESCRIBED AS PERMITTING BANKS

TO DEAL FREELY IN FOREIGN CURRENCIES. PEOPLES
ASSEMBLY ECONOMIC COMMITTEE CHAIRMAN MURAD, WHO
IS VOCIFEROUS ADVOCATE OF FREE MARKET ECONOMY,
HAILS LAW AS "PILLAR OF THE ECONOMIC OPEN
DOOR POLICY."

2. COMMENT: PEOPLES ASSEMBLY ACTION CAME AS SOMETHING
OF A SURPRISE. PASSAGE OF MEASURE WAS EXPECTED
BY MANY TO BE DELAYED TO PERHAPS OCTOBER. AT RISK
OF SELLING GOE SHORT ON THIS QUESTION, HOWEVER,
INITIATIVE MAY TURN OUT TO BE LARGELY COSMETIC. WE
ARE TOLD LAW PERMITS BANKING TRANSACTIONS WHICH ARE
ALREADY ROUTINELY CONDUCTED, AT LEAST BY U.S. JOINT
VENTURE BANKS, AND IS NO BASIC CHANGE FROM PREVIOUS
PRACTICE. WHETHER OR NOT THIS INTERPRETATION IS CORRECT,
AND ALSO SUFFICIENTLY COMPREHENSIVE (WE HAVE
NOT YET SEEN TEXT OF LAW NOR HAD OPPORTUNITY TO
COMPARE IT WITH EARLIER LEGISLATION), PEOPLES ASSEMBLY
ACTION APPARENTLY IS TIMELY RESPONSE TO IMF STRICTURES
ON NEED FOR REFORMS. NOW WE WAIT AND SEE IF OTHER
REFORM MEASURES, NOTABLY REVISION OF LAW 43 AND TAX
SCHEDULES, ARE ENACTED AS ADDITIONAL "PROOF" THAT
EGYPT IS WORTHY OF IMF STANDBY AND FURTHER FINANCIAL
BENEFITS WHICH WOULD BE DERIVED AS A CONSEQUENCE.
EILTS

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